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## REQUEST FOR COUNCIL ACTION

Meeting

Date 10/06/03

AGENDA SECTION Rochester Public Utilities	ORIGINATING DEPT: Consent Agenda	ITEM NO. <b>D-23</b>
ITEM DESCRIPTION: Consideration of Public Utility Board Action		PREPARED BY: Kathy Wilson

The Rochester Public Utility Board has approved the following on September 30, 2003 and requests the Common Council's favorable consideration:

- to approve a resolution to approve Change Order #1 to Purchase Order Agreement 46-257 with Siemens Westinghouse for professional services for tilting pad bearing modification to Cascade Creek Unit 1. The amount of the Change Order to be \$165,589.00, plus a 10% contingency to cover any unanticipated repairs when the machine is disassembled, for a total of \$182,148.00.
- to approve a resolution to approve an Addendum to the Participation Sales Agreement between the City of Rochester and Minnesota Municipal Power Agency and that the Common Council authorize the Mayor and the City Clerk to execute the addition of Article IX Coal Inventory.
- to approve a resolution proclaiming October 5-11, 2003 as Public Power Week.

GENERAL MANAGER:

*Larry Koshin*

COUNCIL ACTION:

Motion by: \_\_\_\_\_

Second by: \_\_\_\_\_

to:

## FOR BOARD ACTION

Agenda Item # 6.

Meeting Date:

9/30/03

**SUBJECT:** Cascade Creek Unit 1  
Purchase Order Agreement 46-257 - Change Order #1

**PREPARED BY:** Wally Schlink, Manager of Power Production

### ITEM DESCRIPTION:

Cascade Creek Unit 1 is a mid 1970's vintage machine and has served RPU well for over 25 years by providing capacity and energy to meet native load demand, as well as avoiding transmission costs related to the import of energy. The gas turbine figures prominently in meeting future capacity and energy requirements.

The RPU Utility Board approved a purchase order agreement with Siemens Westinghouse to perform an inspection of Cascade Creek Unit 1, a Westinghouse 251B2 gas turbine. The purpose of the inspection was to identify and correct any structural or operating problems with the generating unit. Based on the results of the inspection, all structural problems were corrected but an outstanding issue of high vibrations and the resultant lack of reliability was identified and RPU staff, along with Siemens Westinghouse staff has been researching a corrective action required to eliminate the problem.

After much review of vibration, operating and fleet conditions Siemens Westinghouse has submitted the required corrective action to RPU. This entails the replacement of the turbine inlet and exhaust bearings with a tilting pad type of bearing. The proposal for this revision is attached.

RPU staff supports the modification and is pursuing an accelerated schedule to complete the modification ASAP for 2 primary reasons, 1.) There is an opportunity to save 7% on the labor portion of the modification and 2.) GT1 is an important part of our generating portfolio and the sole black start unit in our system if we should suffer an extensive outage that would disconnect us from the grid.

### UTILITY BOARD ACTION REQUESTED:

Staff recommends that the Board approve a resolution requesting the Common Council to approve a change order to purchase order agreement 46-257 with Siemens Westinghouse for professional services to perform the Tilting Pad Bearing Modification as defined in the attachments for a total of \$165,589 plus a 10% contingency to cover any unanticipated repairs when the machine is disassembled, for a total of \$182,148

Reviewed 9-24-03 WNS

  
General Manager

9-24-03  
Date

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## FOR BOARD ACTION

Agenda Item # 7

Meeting Date: 9/30/03

SUBJECT: Addendum to Participation Sales Agreement Between City of Rochester and Minnesota Municipal Power Agency

PREPARED BY: Walt Lorber, Director of Operations *WLR*

### ITEM DESCRIPTION:

Under a Participation Sales Agreement that became effective July 1, 1995, RPU provides 100 megawatts of SLP capacity and energy to the Minnesota Municipal Power Agency (MMPA). Both parties have frequently disagreed with the performance of the other party under the contract. Recent disagreements led to the use of a mediator in an attempt to address and resolve certain areas of conflict. Two areas were identified for discussion purposes:

1. Coal inventory levels and carrying costs
2. 1995 – present invoice review results

To address the first area, the mediator summarized the interests of both parties in building and maintaining a coal stockpile that meets MMPA's increased generation expectations through November 2005 in a draft agreement that is attached. Final language has not been developed, although the general terms have been agreed upon. The mediator will draft a settlement version within the next few weeks. However, based upon the agreed upon general terms, Rochester City Attorney Terry Adkins has prepared a draft Addendum to the Participation Sales Agreement. We will reexamine the draft Addendum's language after receiving the mediator's meeting notes and draft settlement. However, in the interest of time, we are asking the Board to approve the terms of the draft Addendum with the hope that any further changes will not be of a substantive nature. Note: The carrying charges collected by RPU on expected inventory levels would be approximately \$3000 per month.

Item 2 issues are the result of a review performed by an audit firm hired by MMPA that looked at RPU's billings to MMPA since 1995. There were six items, totaling approximately \$600,000 that the firm flagged as possible irregularities or overcharges. RPU's analysis concluded that four of the items were correctly charged and two of the items were charged erroneously. RPU offered, and MMPA agreed, to resolve the matter through RPU's reimbursement of \$168,000 to MMPA as a credit on a future invoice. The mediator will memorialize the resolution.

### UTILITY BOARD ACTION REQUESTED:

It is recommended that the Board request the Common Council to approve the attached Addendum to the Participation Sales Agreement between RPU and MMPA, contingent upon final language review and approval by the City Attorney.

*Terry Koshin*  
\_\_\_\_\_  
General Manager

9-24-03  
Date

**ROCHESTER PUBLIC UTILITIES**

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## FOR BOARD ACTION

Agenda Item # 9

Meeting Date:

9/30/03

**SUBJECT:**

Public Power Week Proclamation

**PREPARED BY:**

Jim Walters, Manager of Marketing & External Services

ITEM DESCRIPTION:

RPU, along with communities across the country, will celebrate Public Power Week Oct. 5-11, 2003. This is a week to promote the benefits of public power, which include superior service and community connections.

RPU plans to offer media interviews and events each day of the week for radio and television news and the local newspaper.

The culminating event of Public Power Week in Rochester will be an Energy Fair on October 11, held at the University Center Rochester's Regional Sports Complex and cohosted with University of Minnesota Rochester. It will run from 10 a.m.-4 p.m. and have exhibits by vendors, trade allies, energy technology companies, and concerns groups, to name a few. The event is free and open to the public, and lunch of hot dogs and soda will be provided. There are no exhibitor fees for this inaugural fair.

UTILITY BOARD ACTION REQUESTED:

The Board is requested to approve the attached resolution and request that the Mayor and Common Council designate October 5 – 11, 2003 as Public Power Week.

  
General Manager

9-24-03  
Date

ROCHESTER PUBLIC UTILITIES